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10 **UNITED STATES DISTRICT COURT**
11 **NORTHERN DISTRICT OF CALIFORNIA**
12 **SAN FRANCISCO DIVISION**
13

14 THE CENTER FOR INVESTIGATIVE
15 REPORTING,

16 Plaintiff,

17 v.

18 U.S. DEPARTMENT OF LABOR,

19 Defendant.
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Case No. 19-CV-05603-SK

**DECLARATION OF PROFESSOR
SHARON K. SANDEEN IN SUPPORT OF
OPPOSITION TO DEFENDANT'S
MOTION FOR SUMMARY JUDGMENT
AND CROSS MOTION FOR SUMMARY
JUDGMENT**

1 I, SHARON K. SANDEEN, declare:

2 1. I, Sharon K. Sandeen, have personal knowledge of the matters stated in this
3 declaration and have no personal or pecuniary interest in the outcome of this case. If called
4 upon to do so, I am competent to testify to all matters set forth herein.

5 2. I am a Professor of Law and the Director of the IP Institute at Mitchell
6 Hamline School of Law in St. Paul, Minnesota where my teaching and scholarship focuses
7 on intellectual property and information law, with an emphasis on trade secret law. I have
8 degrees from the University of California Berkeley (BA), the University of the Pacific,
9 McGeorge School of Law (JD), and U.C. Berkeley School of Law (LLM).

10 3. From 1985 until 2002, I practiced law in Sacramento, California as a business
11 litigator. In the early 1990s, I served on the Executive Committee of the Intellectual
12 Property Section of the State Bar of California and was invited to contribute to a
13 comprehensive update of the Continuing Education of the Bar's (CEB's) publication on
14 trade secret law. In recognition of my professional accomplishments, I was elected to
15 membership in the American Law Institute and am as life-member of the American Bar
16 Foundation. I was also awarded the Fulbright-Hanken Distinguished Chair in Business and
17 Economics for 2019-20.

18 4. Since becoming a law professor, I have written scores of books, book
19 chapters, and law review articles on intellectual property, information, and trade secret law
20 topics, including the first casebook on trade secret law, *Cases and Materials on Trade*
21 *Secret Law*.

22 5. In 2008 and 2009, I collected hundreds of pages of source documents from
23 both the American Bar Association and the National Conference of Commissioners of
24 Uniform State Laws (NCCUSL; now known as the Uniform Law Commission (ULC)) so I
25 could write a detailed and comprehensive history of trade secret law, including the impetus
26 behind the adoption of and wording of the Uniform Trade Secrets Act (UTSA). I have also
27 conducted extensive research into the history of the *Restatement (First) of Torts* provisions
28 on trade secret law (Sections 757-759), including an examination of source documents in

1 the archives of the American Law Institute.

2 6. In this “Information Age,” many companies, particularly those that collect
3 massive amounts of data from customers, are quick to assert ownership of the data and
4 information they collect and create, often claiming property rights therein. But the laws of
5 the United States are limited in the protection they afford to information and data.
6 Moreover, when information is protected by U.S. law, it is only protected to the extent
7 provided by applicable law; protection that is usually limited, both substantively and
8 procedurally, by the public interest. An obvious example of this is provided in the Federal
9 Rules of Civil Procedure which require federal courts to weigh the relevance of
10 information against assertions of privacy and secrecy. Significantly, that body of law
11 requires a showing of some detriment to the subject of the information before the discovery
12 or use of the information will be denied or a Protective Order issued.

13 7. As a practical matter, except where information is relevant in litigation, must
14 be shared to obtain value, or is required to be disclosed for regulatory purposes,
15 information can always be kept secret through self-help measures. But information is not
16 protected by the law unless a statute or common law principle says it is, and a common
17 feature of U.S. information law is to require proof of actual or threatened harm before any
18 remedy for the misappropriation of information will be allowed. Thus, information that is
19 “secret” or “confidential” in the minds of information owners/holders is not co-extensive
20 with the scope of information that is protected by law. Rather, protectable information has
21 a legal definition that is often inconsistent with common dictionary or business definitions.

22 8. Based on my academic research, legal protection for information is limited
23 based on the human, commercial, and public need for information and knowledge. In
24 general, information diffusion promotes the important value of free competition by
25 allowing public information to be reused, including as the basis for follow-on invention and
26 creativity.

27 9. The United States’ default rule of information diffusion can be seen in
28 numerous legal principles which, collectively, demonstrate the value and importance of

1 information in everyday life. This includes, for instance: (1) the IP Clause of the US
2 Constitution and the limited scope of IP laws adopted pursuant to its authority including,
3 for instance, the fair use limitation on the scope of copyright protection; (2) the First
4 Amendment to the US Constitution and related jurisprudence that promotes access to
5 information; (3) numerous case decisions that recognize the public's right to information
6 once it is publicly disclosed or simply "blurted out"; and (4) FOIA, which is the focus of
7 the subject litigation.

8 10. U.S. patent law protects information to a degree by prohibiting certain uses of
9 information about inventions that is disclosed in an issued patent. Copyright law only
10 provides protection for information to the extent that it constitutes "an original work of
11 authorship fixed in tangible form." Facts and ideas, once disclosed in a publicly distributed
12 work of authorship, are not protected by copyright law. Thus, unless the limited protection
13 for information provided by patent and copyright law applies, the principal means for
14 protecting information in the United States is through contract and trade secret law, but
15 both means of protection also have limits.

16 11. The principal limitation of contract law is the rule of privity, while trade secret
17 law only provides protection for a defined sub-set of "secret" information. There is no law
18 or legal principle in the U.S. that provides a private cause of action to protect a "broad
19 category of documents" that individuals and businesses themselves classify as "confidential
20 information." Neither contract law nor trade secret law can be utilized to protect
21 information that is already available to the public (i.e., generally known or readily
22 ascertainable as defined below) and, for this reason, contractual obligations cannot create a
23 trade secret; they can only obligate someone to protect the secrecy of information that
24 otherwise meets the definition of a trade secret.

25 12. Consistent with principles of information diffusion, information that has been
26 disclosed to the public, even if it was once protected by law, loses its protection unless
27 principles of patent or copyright law apply to protect it. As Justice Brandeis famously
28 stated: "The general rule of law is, that the noblest of human productions--knowledge,

1 truths ascertained, conceptions, and ideas--become, after voluntary communication to
2 others, free as the air to common use." *Int'l News Serv. v. Associated Press*, 248 U.S. 215,
3 250 (1918) (Brandeis, J., dissenting).

4 13. A "disclosure" that waives applicable information protection can occur in the
5 following ways: (a) a voluntary disclosure of the information by the information owner,
6 including by sharing the information with others (including the government) without an
7 obligation of confidentiality first being established; (b) an inadvertent disclosure of the
8 information by the information owner, for instance, by failing to engage in reasonable
9 efforts to maintain its secrecy; (c) when the information is reversed engineered or
10 independently discovered or developed by another and subsequently disclosed; and (d)
11 when information is misappropriated by another and subsequently disclosed.

12 14. The meaning of "public disclosure" under U.S. law is broader than the
13 commonly understood definition (or a dictionary definition) because it does not require
14 widespread dissemination to the public at large. Rather, under the definition of protectable
15 information that existed at the time FOIA was adopted in 1966, information is not
16 protectable if it is "generally known" or "readily ascertainable."

17 15. Some types of information, like information collected from customers or
18 gleaned from publicly available records, while maintained by a company "in confidence,"
19 is not deemed "secret" or "confidential" for legal purposes because it is readily
20 ascertainable from like sources. This is why, for instance, many customer lists and other
21 types of factual reports often do not qualify for protection; Typically, they reflect
22 information that: (a) is in the possession of others (e.g., customers) and therefore not secret
23 or confidential; or (b) could be readily ascertained.

24 16. Consistent with the public's interest in information diffusion, FOIA states that
25 government transparency and information sharing concerning government activities are the
26 rule and that the exemptions specified in FOIA are the exceptions. 5 U.S.C. §§ 552(a)-(b).
27 Thus, it is in the context of the strong U.S. public policy that favors information diffusion
28 that the meaning of "trade secrets and commercial or financial information" in Exemption

1 4, 5 U.S.C. § 552(b)(4), must be understood and narrowly construed.

2 17. While seemingly a limitation on the scope of government transparency
3 required by FOIA, the legislative history of Exemption 4 reveals that it was actually
4 intended to have the effect of restricting the then-existing ability and discretion of
5 governmental agencies to promise confidentiality and refuse to disclose information that
6 they deemed “confidential.” Now, FOIA sets the limit on which government-held
7 information can be withheld from disclosure unless some other law adopted by Congress
8 further prohibits (or allows) disclosure.

9 18. Hearings regarding FOIA held in May of 1965 are replete with testimony of
10 representatives of governmental entities expressing concern about how FOIA would
11 require them to disclose information that had previously been withheld from public
12 disclosure, including that of the Interstate Commerce Commission that expressed concerns
13 that the disclosure of accident reports required to be filed by railroad companies might lead
14 to more personal injury claims. *Administrative Procedures Act: Hearings before the S.*
15 *Subcomm. on Administrative Practice and Procedure of the S. Comm. on the Judiciary,*
16 *89th Cong. (1965).*

17 19. FOIA does not prohibit Congress or federal government agencies from
18 deciding as a matter of policy (reflected in a statute or regulation) that information that
19 might otherwise be exempt from disclosure under FOIA should be disclosed. Often
20 regulated companies are required to waive whatever secrecy or confidentiality might exist
21 in information they are required to submit as a cost of doing business. U.S. patent law is
22 just one example. Indeed, such a policy is consistent with the government transparency
23 goals of FOIA.

24 20. Federal government agencies have at least two other reasons why they often
25 require the disclosure by regulated companies of information that the companies deem
26 “confidential.” First, there is a need to limit the sorts of information that can subject federal
27 government employees to criminal prosecution under the federal Trade Secrets Act. 18
28 U.S.C. § 1905. This is particularly true where the information that a company labels as

1 “confidential” does not meet any legal definition of protected information because of the
2 due process concerns that a lack of adequate notice raises. Second, federal government
3 agencies have an interest in preventing the creation of “investment-backed expectations of
4 confidentiality,” lest they subject the federal government to a claim under the Takings
5 Clause of the U.S. Constitution. *See Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

6 21. Exemption 4 of FOIA, whether considered as of 2020 or when FOIA was
7 adopted in 1966, clearly directs that not all confidential information, or even all
8 confidential business information, is exempt from disclosure under FOIA. Instead, only
9 information that is either a “trade secret” or is “commercial or financial information
10 obtained from a person that is privileged or confidential” is exempt. But FOIA does not
11 define what is meant by the terms “trade secret,” “commercial,” “financial information,”
12 “privileged” or “confidential,” leaving it up to federal courts to provide meaning as guided
13 by federal principles of statutory interpretation and interstitial lawmaking.

14 22. In 1966 and under current law, including the Defend Trade Secrets Act of
15 2016, the definition of a trade secret is clear. There are three requirements. First, the
16 information must be secret because it is not generally known or readily ascertainable.
17 Second, the information must have “independent economic value” to others because of its
18 secrecy. Third, the information must have been the subject of reasonable efforts to maintain
19 its secrecy; Doing nothing, even if the information remains factually secret, is not enough.

20 23. While the DTSA’s definition of a trade secret (and the Uniform Trade Secrets
21 Act (“UTSA”) definition upon which it is based) was not in effect in 1966 when FOIA was
22 adopted, such definition is largely consistent with the then existing common law definition
23 of a trade secret as set forth in the *Restatement of (First) of Torts*, section 757-59. The
24 principal differences are: (1) the six-factor test of the *Restatement* has been replaced with
25 three specific requirements which incorporate all of the *Restatement* factors except for what
26 I call the “sweat-of-the-brow factor;” (2) prior to the UTSA, trade secret law required that
27 the subject information be continuously used in one’s business; and (3) the limited
28 protection specified in section 759 for information not meeting the definition of a trade

1 secret (typically, confidential business information that is ephemeral and not “in continuous
2 use”) was eliminated.

3 24. Whether applying the UTSA, DTSA, or *Restatement* definitions of a trade
4 secret, to be a trade secret information must give its owner/possessor a competitive
5 advantage over others that is related to its secrecy. *See* Rest. (First) of Torts, § 757, cmt. b.
6 This is due, in large part, to the harm requirement of tort law; The use of trade secrets or
7 confidential business information in one’s business or its independent economic value is
8 evidence of the required cognizable harm.

9 25. Consistent with the concept that not all confidential information qualifies for
10 trade secret protection, the inherent or internal value of information to its owner/possessor
11 is irrelevant for trade secret purposes. Instead, the critical question is whether others can
12 obtain a competitive benefit from the putative trade secrets. In other words, a causal link is
13 needed between the competitive advantage that the business owner gains from the fact that
14 the subject information is confidential (as defined by trade secret law) and the defendant’s
15 threatened or actual use of the alleged secrets.

16 26. While trade secret law is not FOIA law, it should inform the test for what
17 qualifies as “confidential business information” under Exemption 4 of FOIA.

18 27. Given the definition of a trade secret, even in 1966, one should wonder why
19 Congress chose to add the language “commercial or financial information that is privileged
20 or confidential” to FOIA Exemption 4. I believe it is because, in 1966, many people (and
21 cases) used the “trade secret” moniker to connote confidential technical and scientific
22 information and the label “confidential” to refer to other types of information that were
23 kept secret. Also, as previously noted, the common law definition of a trade secret required
24 the information to be “in continuous use,” which excluded a lot of confidential business
25 information from trade secret protection, and Congress wanted FOIA to exempt a broader
26 set of confidential information. Over time, and consistent with the drafting history of the
27 UTSA, which repeatedly noted the need for one “unitary” definition of protectable
28 information, the definition of trade secrets as secret technical and scientific information and

1 the definition of other confidential business information were merged into the UTSA's
2 definition of a trade secret.

3 28. The desire for a single, unitary definition of protectable "secret or
4 confidential" information is why Section 7 of the UTSA was included to expressly
5 preclude all other tort claims for the misappropriation of competitively significant
6 information. Thus, under the UTSA (and now the DTSA), secret and confidential
7 information is not protected under U.S. law unless it: (1) is a trade secret; (2) is non-public
8 information that must be kept confidential pursuant to an enforceable contract; or (3) is the
9 subject of what FOIA denotes as a "privilege," but that I call an obligation of
10 confidentiality imposed by law.

11 29. Prior to the adoption of the UTSA, the *Restatement (First) of Torts* recognized
12 limited protection for information not meeting the definition of a trade secret which, in
13 FOIA Exemption 4 parlance, might include "confidential commercial or financial
14 information" that does not qualify for trade secret protection. *See Restatement (First) of*
15 *Torts*, Section 759. However, the available protection only applied in cases where the
16 information owner could prove that the information was "acquired by improper means" by
17 another "for the purpose of advancing a rival business interest." Additionally, sections 757-
18 59 of the *Restatement (First) of Torts* required the information to be secret or confidential
19 and relate to the information owner's business.

20 30. Information was not a trade secret or confidential at common law if it was
21 disclosed by the holder (or purported owner) of the information to others (including
22 governmental agencies) voluntarily or inadvertently before an enforceable obligation of
23 confidentiality was established. In other words, the status of information as factually
24 "secret" or "confidential" does not equate with the legal meaning of secrecy and
25 confidentiality, and this was true in 1966 when FOIA was adopted. This principle is shown
26 most clearly by the trade secret requirement that information must be the subject of
27 reasonable efforts to maintain its secrecy, even if it is otherwise secret. Without such a
28 requirement, and the related need for an obligation of confidentiality, the recipient of

1 information would not know of the possible legal obligations that attach to the information,
2 including possible criminal sanctions.

3 31. In the context of information submitted to the government, particularly as part
4 of a regulatory scheme, often no duty of confidentiality applies to the information for three
5 reasons: (1) the subject information does not meet the definition of information that is
6 exempt from disclosure under FOIA; (2) the governmental entity made no promise of
7 confidentiality with respect to such information, often because the public policy of
8 government transparency or information disclosure—*see, e.g.*, U.S. patent law—was
9 deemed more important than any private interest in confidentiality, but also because to do
10 so might create an “investment-backed expectation” of confidentiality that could be the
11 basis of a claim under the Takings Clause of the U.S. Constitution; and (3) even in
12 situations where governmental agencies can and do make a promise of confidentiality
13 consistent with FOIA, the subject regulation often defines the information that is subject to
14 a confidentiality obligation and requires the submitter to mark (or label) the information
15 with an appropriate legend so that the purported trade secret or confidential information can
16 be distinguished from other submitted information. *See, e.g.*, OSHA rules requiring proper
17 markings, 29 C.F.R. § 70.26.

18 I declare under penalty of perjury of the laws of the State of California that the
19 foregoing is true and correct to the best of my knowledge and belief.

20
21 Executed April 23, 2020 in Saint Paul, MN.

22
23 /s/ Sharon K. Sandeen
Professor Sharon K. Sandeen